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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002331

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TAGS: ECON ENRG PGOV PINS I2
SUBJECT: HYDROCARBON LAW'S STATUS AT THE COUNCIL OF
REPRESENTATIVES

REF: A. BAGHDAD 2294
B. BAGHDAD S/NF O-I 7/9/2007

Classified By: Economic Minister-Counselor Daniel Weygandt for reasons
1.4 (b) and (d).

¶11. (C) Summary: A draft of the framework Hydrocarbon Law was submitted by the Council of Ministers to the Council of Representatives on July 3, and distributed to the Oil and Gas, Economic, and Legal committees for review on July 5. The bill and its supporters have faced criticism from Iraqi press and threats from insurgent groups. CoR contacts report that the committees are reviewing the law, but that the Council of Ministers' Shura Council made substantive changes from the draft approved by the Council of Ministers on February 26. As detailed in ref A, negotiations between the Kurdish and Shi'a parties are ongoing, and the draft at the Council of Representatives does not reflect the latest positions. End summary.

Prematurely at the CoR

¶12. (C) The Council of Ministers' approval of the framework Hydrocarbon Law on February 26 was contingent on final agreement on key text, specifically that referring to contract approval and the types of partnerships with foreign companies. As with all laws, the Shura Council of the Council of Ministers reviewed the law for legal consistency, constitutionality, and formatting. The Shura Council completed its revisions on May 31, making stylistic and substantive changes. The substantive changes favored greater control by the central government over Iraq's resources, reversing points that had been painstakingly negotiated between the central and Kurdish regional government. Not all of these changes were accepted, but some remained in the version submitted to the CoR.

¶13. (C) Key drafters of the framework Hydrocarbon Law told emboffs that negotiations were still ongoing when the law was officially submitted to the CoR. While the Council of Ministers reaffirmed their February 26 decision on July 3, they did not sign an approval of the draft that was submitted to the CoR. Instead, the list of signatures dated February 26 was submitted to the CoR with a new draft dated July 3 (ref B). Several CoR members have protested this act loudly and Iraqiyya MP Usama al-Nujaifi resigned from the Oil and Gas Committee in protest. The Kurds have stated publicly that the draft submitted to the CoR is not the draft they have approved, and the Chair of the Oil and Gas Committee at the CoR, Ali Belu, who is a Kurd, told emboffs on July 8 that there would not be a first reading of the draft until the Kurds and the Shi'a had come to an agreement (ref B).

Public Threats and Criticism

¶4. (C) The draft law is facing mounting criticism from the Iraqi press and various factions. Press criticism of the bill paints it as a neo-colonial effort designed to steal Iraq's national resources. The association of Muslim Scholars issued a fatwa on July 4 forbidding legislators to vote for the bill. Insurgent groups such as the 1920 Revolution Brigade have also threatened supporters of the bill. Despite these threats and criticism the leaders of major political blocs, including Tawafiq MP Ayad Samarrai, have privately told emboffs they support the passage of the legislation.

Next Steps

¶5. (C) Oil and Gas Committee Chair Ali Belu said that Deputy Speaker Shiekh al-Atiyya will not put the draft law on the agenda for a first reading until there is agreement between the Shi'a and Kurdish blocs. The Oil and Gas Committee at the CoR can make amendments to the law submitted by the executive branch during its review before the first reading at a plenary session. Alternatively, the Council of Ministers could also decide to send a revised text to the CoR. Thamir Ghadban told EconCouns on July 10 that no decision had been made as to how to submit a revised version of the law to the CoR (ref A).

¶6. (C) Following the first reading at least two days must pass before the second reading and another four days before the final reading and vote. With 14 possible sessions remaining for the CoR before the summer recess begins on August 1, it is still technically possible for the framework

BAGHDAD 00002331 002 OF 002

Hydrocarbon Law to be approved by the CoR this month. It would require immediate agreement and regular quorum, both of which are unlikely and could result in heavy criticism for rushing debate on important legislation. Chances are much better, however, for a first reading of the framework Hydrocarbon Law, if a negotiated draft is completed in the next few days. The CoR twice achieved quorum last week despite continuing Tawafiq and Sadr bloc boycotts, raising the possibility of the bill being passed without Sunni buy-in, dealing a further setback to reconciliation efforts. Emboffs are encouraging GOI officials to conduct coordinated outreach to both the CoR and the Iraqi public to respond to misconceptions about the law.

Comment

¶7. (C) Comment: It is unclear as to why the CoM Secretariat submitted the law prematurely to the Council of Representatives. The law will not be brought to a first reading or a vote without an agreement between the Kurds and the Shi'a, and the events of the past week have shown the willingness of both parties to delay progress. Despite public criticism, overall the leaders of the major political blocs generally support the law. Should there be a final agreement between the Kurds and the Shi'a, efforts will be focused on increasing Sunni participation; this law could be passed, however, even without Sunni involvement.

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